

Message Text

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70

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 PA-04 PRS-01

USIA-15 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01

AEC-11 FEA-02 FPC-01 INT-08 SAM-01 SCI-06 DRC-01 /213 W

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R 081524Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8533

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS LONDON 02973

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL
RESEARCH FORECASTS; END OF THREE-DAY WEEK

REF: LONDON 2963

SUMMARY: NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL
RESEARCH (NIESR) PUBLISHES A GRIM FORECAST FOR 1974 IN
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THE WAKE OF THE THREE DAY WEEK WHICH ENDS TONIGHT. END

SUMMARY.

1. MINISTER OF ENERGY VARLEY OF THE NEW LABOUR GOVERNMENT ANNOUNCED YESTERDAY THAT FIVE-DAY POWER TO INDUSTRY WOULD BE RESTORED AS OF MIDNIGHT MARCH 8, IN EFFECT, BEGINNING MONDAY, MARCH 11. THE DIFFICULTIES AND LENGTH OF TIME IN RECOVERY OF BRITISH ECONOMY TO ITS NORMAL GROWTH PATH AFTER 13 WEEKS OF THREE-DAY POWER TO INDUSTRY HAVE BEEN COVERED IN REFTEL. HOWEVER, THE SEVERITY OF THE SITUATION IS UNDERLINED BY THE NIESR QUARTERLY REPORT, PUBLISHED TODAY.

2. THE MAIN NIESR FORECASTS ARE AS FOLLOWS: (A) INFLATION RATE OF 14 TO 18 PERCENT, (B) UNEMPLOYMENT OF OVER ONE MILLION BY THE END OF 1974, (C) A DROP OF BETWEEN ONE AND 4.75 PERCENT IN GDP IN 1974, (D) REAL PERSONAL DISPOSABLE INCOME FALLING BY UP TO SEVEN PERCENT IN 1974, (E) A BALANCE OF PAYMENTS DEFICIT IN THE FIRST HALF OF 1974 OF BETWEEN 2.4 AND 2.9 MILLION POUNDS AND FOR THE YEAR, OF BETWEEN 3.3 AND 4.6 MILLION POUNDS. IN ABSENCE OF SUFFICIENT INTERNATIONAL LENDING TO FINANCE BALANCE OF PAYMENTS DEFICIT, NIESR BELIEVES U.K. WOULD BE JUSTIFIED IN IMPOSING IMPORT RESTRICTIONS.

3. NIESR STATES THAT THIS GRIM OUTLOOK MAINLY DUE TO DEFLATIONARY IMPACT OF OIL PRICE RISES AND (TO A LESSER EXTENT) DECEMBER 1973 "MINI BUDGET" PUBLIC EXPENDITURE CUTS AND ADVOCATES, IN THIS SITUATION, A NEUTRAL BUDGET. IT BELIEVES THE GOVERNMENT SHOULD BE READY TO REFLATE DEMAND IN THE SECOND HALF OF 1974.

4. NIESR DESCRIBES ECONOMIC SITUATION AS MORE CONFUSED THAN AT ANY TIME IN THE 15 YEARS OF THE REVIEW'S HISTORY.

5. EMBASSY WILL FORWARD DETAILS OF NIESR ANALYSIS AND MAIN TABLES BY AIRGRAM.

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Message Attributes

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